

Department of Insurance

Analyst: Freeman

Historical Summary

OPERATING BUDGET	FY 2002 Total App	FY 2002 Actual	FY 2003 Approp	FY 2004 Request	FY 2004 Gov Rec
BY PROGRAM					
Insurance Regulation	5,354,500	4,803,900	5,096,600	5,235,100	5,170,800
State Fire Marshal	859,700	742,300	833,300	852,600	842,000
Total:	6,214,200	5,546,200	5,929,900	6,087,700	6,012,800
BY FUND CATEGORY					
Dedicated	6,010,200	5,387,200	5,775,100	5,930,500	5,858,000
Federal	204,000	159,000	154,800	157,200	154,800
Total:	6,214,200	5,546,200	5,929,900	6,087,700	6,012,800
Percent Change:		(10.7%)	6.9%	2.7%	1.4%
BY OBJECT OF EXPENDITURE					
Personnel Costs	3,830,200	3,568,500	3,796,100	3,881,200	3,856,200
Operating Expenditures	2,095,000	1,720,200	2,019,800	2,088,500	2,038,600
Capital Outlay	286,500	255,100	111,500	115,500	115,500
Trustee/Benefit	2,500	2,400	2,500	2,500	2,500
Total:	6,214,200	5,546,200	5,929,900	6,087,700	6,012,800
Full-Time Positions (FTP)	68.50	68.50	68.50	68.50	68.50

Department Description

The Department of Insurance has two budgeted programs: Insurance Regulation and the State Fire Marshal.

The Insurance Regulation Program consists of three bureaus:

(1) The Company Activities Bureau is charged with monitoring the financial condition of all insurance entities licensed or approved to sell insurance in this state to ensure that each will be able to meet its obligations to policyholders and creditors. This bureau reviews insurance policy rates and forms to assure compliance with Idaho Code, and collects insurance premium taxes and audits insurance tax and fee returns. The Company Activities Bureau also collects the arson, fire and fraud assessment used to fund the State Fire Marshal.

(2) The Consumer Services Bureau licenses insurance agents, brokers, insurance counselors, third party administrators, adjusters, and managing general agents. This bureau provides information to those who need assistance in insurance matters, analyzes consumer and industry complaints, and investigates alleged criminal and administrative violations of the law. Investigators work with state and local law enforcement agencies in the prosecution of those violations. The Consumer Services Bureau is also responsible for the Senior Health Insurance Benefits Advisors (SHIBA), a network of volunteers that provides information and counseling to senior citizens.

(3) The Support Services Bureau provides fiscal, purchasing, information technology, and personnel services to the Division of Insurance and the Division of the State Fire Marshal.

The State Fire Marshal focuses on fire prevention and arson investigation. This is done by enforcing the Uniform Fire Code, investigating suspected arson or fraud, and educating the public in matters of fire prevention and hazardous conditions in buildings or premises.

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2003 Original Appropriation	68.50	0	5,929,900	68.50	0	5,929,900
Removal of One-Time Expenditures	0.00	0	(111,500)	0.00	0	(111,500)
FY 2004 Base	68.50	0	5,818,400	68.50	0	5,818,400
Personnel Cost Rollups	0.00	0	51,600	0.00	0	60,100
Inflationary Adjustments	0.00	0	38,400	0.00	0	0
Replacement Items	0.00	0	115,500	0.00	0	115,500
Nonstandard Adjustments	0.00	0	30,300	0.00	0	18,800
Change in Employee Compensation	0.00	0	33,500	0.00	0	0
FY 2004 Total	68.50	0	6,087,700	68.50	0	6,012,800
Change from Original Appropriation	0.00	0	157,800	0.00	0	82,900
% Change from Original Appropriation			2.7%			1.4%

Department of Insurance

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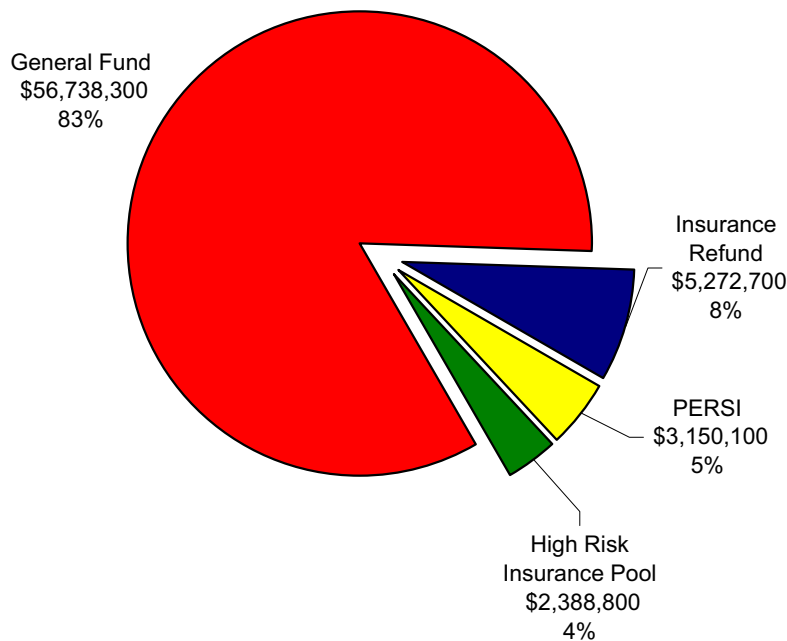
Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2003 Original Appropriation					
	68.50	0	5,775,100	154,800	5,929,900
Removal of One-Time Expenditures					
Agency Request	0.00	0	(111,500)	0	(111,500)
Governor's Recommendation	0.00	0	(111,500)	0	(111,500)
FY 2004 Base					
Agency Request	68.50	0	5,663,600	154,800	5,818,400
Governor's Recommendation	68.50	0	5,663,600	154,800	5,818,400
Personnel Cost Rollups					
Includes the employer portion of estimated changes in employee benefit costs.					
Agency Request	0.00	0	51,600	0	51,600
<i>The Governor also recommends additional funding to be applied to the employee paid portion of health and dental insurance cost increases, in order to prevent employees from experiencing a reduction in take-home pay.</i>					
Governor's Recommendation	0.00	0	60,100	0	60,100
Inflationary Adjustments					
Includes a general inflationary increase of 2.4% in operating expenditures.					
Agency Request	0.00	0	37,300	1,100	38,400
<i>The Governor recommends no increase for general inflation.</i>					
Governor's Recommendation	0.00	0	0	0	0
Replacement Items					
INSURANCE: 26 PCs (\$42,900), 1 laptop (\$3,000), 1 laptop with docking station (\$3,500), 1 server (\$30,000), 6 printers (\$8,600), 1 photocopier (\$7,500), and 2 fax machines (\$3,600).					
STATE FIRE MARSHAL: 1 PC (\$1,700), 2 laptops with docking station (\$7,000), 3 laser printers (\$3,400), 1 photocopier (\$2,500), and 1 fax machine (\$1,800).					
Agency Request	0.00	0	115,500	0	115,500
Governor's Recommendation	0.00	0	115,500	0	115,500
Nonstandard Adjustments					
Reflects an adjustment in Attorney General, Controller and Treasurer fees pursuant to the Statewide Cost Allocation Plan. Also reflects an adjustment for Risk Management property/casualty rates.					
Agency Request	0.00	0	30,100	200	30,300
<i>The Governor recommends no adjustment to building space charges for state agencies.</i>					
Governor's Recommendation	0.00	0	18,800	0	18,800
Change in Employee Compensation					
Reflects the cost of a 1% salary increase for permanent and group positions.					
Agency Request	0.00	0	32,400	1,100	33,500
<i>The Governor does not recommend new funding for state employee pay increases. Compensation increases may be funded with agency salary savings wherever possible.</i>					
Governor's Recommendation	0.00	0	0	0	0
FY 2004 Total					
Agency Request	68.50	0	5,930,500	157,200	6,087,700
Governor's Recommendation	68.50	0	5,858,000	154,800	6,012,800

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<i>Agency Request</i>					
Change from Original App	0.00	0	155,400	2,400	157,800
% Change from Original App	0.0%		2.7%	1.6%	2.7%
<i>Governor's Recommendation</i>					
Change from Original App	0.00	0	82,900	0	82,900
% Change from Original App	0.0%		1.4%	0.0%	1.4%

Premium Tax Distribution
FY 2002



Revenue from the premium tax is distributed to the following funds:

GENERAL FUND: the premium tax is paid in lieu of all other taxes (corporate income, franchise, property, excise, etc.). All revenue from fines are also transferred to the General Fund.

INSURANCE REFUND: used to reimburse insurers for overpayment of taxes, fines, penalties, etc.

PERSI: 50% of the gross tax on fire insurance premiums is used to partially fund the firefighter retirement system.

HIGH RISK INSURANCE POOL: If premium tax revenue exceeds \$45 million after all other deductions, 25% of the excess goes into the Individual High Risk Insurance Pool to pay the costs associated with providing health insurance coverage to high risk individuals regardless of health status or claims experience.

FY 2002 Premium Tax Revenue = **\$65,933,700**

FY 2002 Distribution = **\$67,549,900***

* Distributions exceeded actual revenues by slightly more than \$1.6 million, the source of which is fees collected by the agency. Idaho Code §41-402(3)(e) provides that "at the beginning of each fiscal year, those moneys in the insurance administrative account which exceed the current year's appropriation plus any residual encumbrances made against prior years' appropriations by twenty-five percent (25%) or more shall be transferred to the general [fund]."

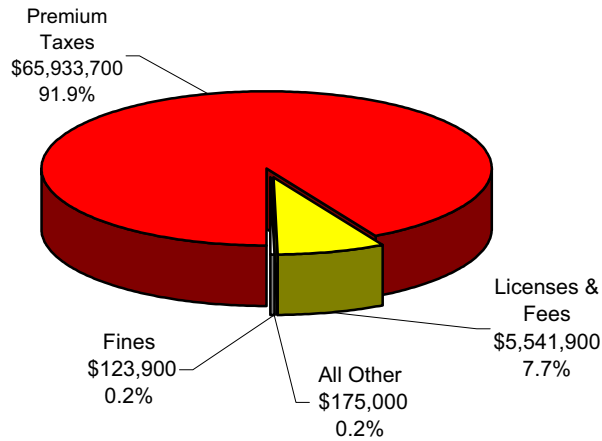
Distribution of Premium Tax Revenues
FY 2001 - FY 2004

	FY01 Act.	FY02 Act.	FY03 Est.	FY04 Est.
General Fund	\$ 55,322,700	\$ 56,738,300	\$ 52,538,400	\$ 53,072,200
Insurance Refund	\$ 3,996,600	\$ 5,272,700	\$ 4,180,900	\$ 4,255,600
PERSI	\$ 2,965,000	\$ 3,150,100	\$ 3,197,400	\$ 3,245,300
High Risk Insurance Pool	\$ 1,465,200	\$ 2,388,800	\$ 2,472,600	\$ 2,649,800

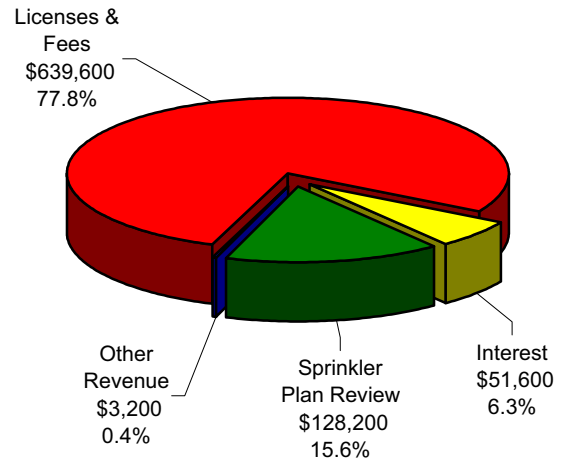
Department of Insurance Issues & Information

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**FY 2002 Actual Revenues
Insurance Regulatory Fund
Total - \$71,774,500**

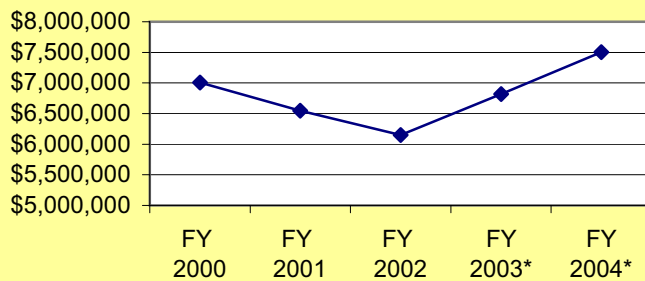


**FY 2002 Actual Revenues
Arson Fire & Fraud Fund
Total - \$822,600**

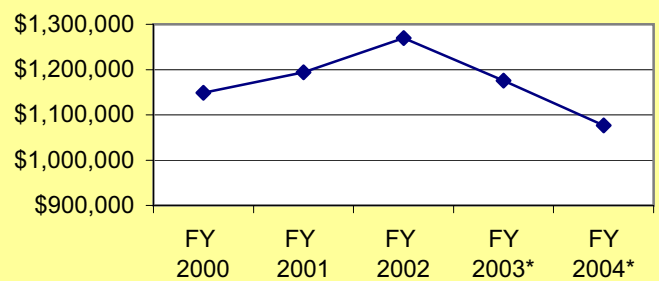


FREE FUND BALANCES

**Insurance Administration Fund
FY 2002 Actual - \$6,149,600**



**Arson Fire & Fraud Fund
FY 2002 Actual - \$1,269,500**



* Figures are based on revenue projections for FY 2003 & FY 2004.